

The Directors are pleased to present to shareholders their annual report and audited financial statements for the financial year ended December 31, 2002.

Principal Activities

The Company acts as an investment holding company.

Its subsidiaries were principally engaged in the import, marketing and distribution of air-conditioning and refrigeration products; audio-visual equipment; car audio and electronic products; motor vehicles and car accessories; and other electronic and electrical products. The activities and other particulars of the principal subsidiaries are set out in Note 42 to the financial statements.

Segmental Information

Details of segmental information are set out in Note 5 to the financial statements.

Group Results

The consolidated profit and loss account is set out on page 35 and further analysis is given in the accompanying notes to the financial statements.

Dividends

The Directors do not recommend the payment of a final dividend (2001: nil) for the year ended December 31, 2002. No interim dividend was paid during the year (2001: nil).

Bonus Issue of Shares

On March 27, 2003, the Directors announced that it proposed to make a bonus issue of ordinary shares on the basis of one bonus share for every ten shares of HK\$0.10 each held by the shareholders of the Company whose names appear on the registers of members of the Company on May 6, 2003 subject to the conditions and arrangements set out in the circular despatched together with this annual report ("Bonus Share Issue").

Closure of Registers of Members

The registers of members will be closed from April 29 to May 6, 2003 both days inclusive, during which period no transfer will be registered. In order to qualify for the Bonus Share Issue, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Standard Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, April 28, 2003.

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Group Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 6.

Share Capital and Share Options

Details of movements in the share capital of the Company during the year are set out in Note 26 to the financial statements.

Information about the share options of the Company and details of movements in the share options of the Company during the year are set out on pages 108 to 114 of this Annual Report and in Note 41 to the financial statements.

Reserves

Details of movements in reserves of the Group and of the Company during the year are set out in the statement of changes in equity on pages 38 to 39 of this Annual Report and other details are set out in Note 27 to the financial statements.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group and of the Company during the year are set out in Note 16 to the financial statements.

Donations

During the year, the Group made charitable and other donations of HK\$63,000 (2001: HK\$82,000).

Borrowings

Details of the Group's borrowings are set out in Note 29 to the financial statements. No interest was capitalised by the Group during the year.

Major Customers and Suppliers

The Group's five largest suppliers accounted for 60.3% of the Group's purchases during the year, 23.8% being attributable to the largest supplier.

The percentage of turnover attributable to the Group's five largest customers is less than 30.0% during the year.

As far as the Directors are aware, no Director of the Company, their associates or any shareholder (who to the knowledge of the Directors owns more than 5% of the Company's share capital) has interest in the Group's five largest suppliers.

Connected Transactions

Details of connected transactions of the Company during the year are disclosed in "Directors' Interests in Contracts" in this Directors' Report.

In 2002, the Group paid to Sumwell Property Management Limited, as the manager of Wo Kee Hong Building, management fees of HK\$3,338,625 in respect of its occupancy of various units at Wo Kee Hong Building.

During the year under review, the transactions in the ordinary courses of business within the Group which involved the companies in which Messrs. Wing Sum LEE and Jeff Man Bun LEE are directly or indirectly interested are shown in Note 37 to the financial statements.

Directors

The Directors of the Company who held office during the year were:

Executive

Wing Sum LEE	<i>(Chairman)</i>
Richard Man Fai LEE	<i>(Vice Chairman and Chief Executive Officer)</i>
Sammy Chi Chung SUEN	
Jeff Man Bun LEE	
Barry John BUTTIFANT	<i>(Resigned on November 7, 2002)</i>

Non-executive

Kam Har YUE

Independent Non-executive

Boon Seng TAN
Raymond Cho Min LEE

In accordance with Bye-Law No. 99 of the New Bye-Laws of the Company, Messrs Sammy Chi Chung SUEN and Boon Seng TAN will retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Independent Non-executive Directors are subject to retirement by rotation in accordance with the Company's New Bye-Laws.

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Directors' Service Contracts

Mr. Barry John BUTTIFANT has entered into a Director's service contract with the Company for a fixed term of 3 years commencing on April 23, 2001. On November 7, 2002, Mr. Barry John BUTTIFANT resigned as Director of the Company and was appointed as an Adviser to the Board of Directors.

Save as disclosed above, none of the Directors who is proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Securities

At December 31, 2002, the beneficial interests of the Directors of the Company and their associates in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register kept under Section 29 of the SDI Ordinance were as follows:

(a) Interest in the Company

Directors	Number of ordinary shares of HK\$0.10 each			
	Personal Interests	Family Interests	Corporate Interests	Total Interests
Mr. Wing Sum LEE	339,150,207	–	70,407,733 <i>(Note 1)</i>	409,557,940
Mr. Richard Man Fai LEE	11,735,800	2,356,200	–	14,092,000
Mr. Sammy Chi Chung SUEN	165,000	–	–	165,000
Ms. Kam Har YUE	11,697,191	–	–	11,697,191
Mr. Jeff Man Bun LEE	1,650,000	–	5,054,962 <i>(Note 2)</i>	6,704,962

Note 1: These shares were owned by Unit Cosmo International Limited, a company the entire issued share capital of which was owned by Mr. Wing Sum LEE.

Note 2: These shares are owned by Fisherman Enterprises Inc., a company the entire issued share capital of which is owned by Mr. Jeff Man Bun LEE.

(b) Interest in associated corporation

Directors	Associated Corporations in which shares or equity interest are held or interested	Number of shares or amount of equity interest held or interested	Class and/or description of shares
Mr. Wing Sum LEE	Stoneycroft Estates Limited	15,750,000	non-voting deferred shares
	Wo Kee Hong Limited	8,500	non-voting deferred shares
	Wo Kee Services Limited	1	non-voting deferred share
	Wo Kee Hong Professional Air Conditioning Pte Ltd.	4,676,000 (Note 3)	ordinary shares
	Jin Ling Electrical Company Limited	RMB131,750,000 (Note 3)	N/A
	WK Information Network Limited	70 (Note 3)	ordinary shares
	東莞先力電器有限公司 (Dongguan Bodysonic Electric Co., Ltd)	HK\$2,125,000 (Note 3)	N/A
	Technorient Limited	225,015 (Note 3)	ordinary shares
	Ms. Kam Har YUE	Wo Kee Hong Limited	400
Shinwa Engineering Company, Limited		3,850,000	non-voting deferred shares
Forward International Corporation, Limited		34,335	non-voting deferred shares
Stoneycroft Estates Limited		340,000	non-voting deferred shares

Note 3: Mr. Wing Sum LEE was deemed to be interested in the shares or equity interest as a result of his interest in the Company. Apart from these shares or equity interest, all other shares of the associated corporations held by the Directors as stated herein are personal interests.

Other than as disclosed above, none of the Directors and chief executives, or their associates, had any interests in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

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(c) Rights to acquire shares of the Company

Other than as disclosed in the section headed "Share Option Information" of this Annual Report, none of the Directors and chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Directors' Interests in Contracts

- (a) Stoneycroft Estates Limited and Ever Rising Investments Limited, both are wholly-owned subsidiaries of the Company, (altogether, "Owners") entered into a deed of mutual covenant and management agreement with Sumwell Property Management Limited ("SPML"), a company owned by Mr. Wing Sum LEE and Ms. Kam Har YUE. Pursuant to the agreement, Owners appointed SPML to be the manager for a term of 2 years from December 29, 1998 (renewable automatically thereafter) to undertake the management, operation, servicing, maintenance, repair, renovation and replacement of Wo Kee Hong Building. The agreement can be terminated by either the committee of the Owners or SPML by giving 3 months' prior notice. The total management fee paid by the Owners to SPML in 2002 was HK\$417,000.
- (b) Owners entered into service agreement with SPML in 2001. Pursuant to the service agreement signed in 2001, Owners appointed SPML to be the service company for a term of 1 year from April 1, 2001 for providing administrative and advisory services on the tenancy of Wo Kee Hong Building. The services agreement was renewed on April 22, 2002 for 1 year from April 1, 2002. The total amount of service fee paid to SPML in 2002 was HK\$18,000.
- (c) Wo Kee Hong Electronics Sdn Bhd ("WKH Electronics"), an wholly-owned subsidiary of the Company, entered into a tenancy agreement with Classic Lane (M) Sdn, Bhd ("Classic Lane" – receivers and managers have been appointed since October 19, 2000), a company in which Mr. Wing Sum LEE has beneficial interests. Pursuant to the tenancy agreement, Classic Lane granted to WKH Electronics a tenancy in respect of 8th Floor, Menara Genesis, No. 33, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia, at a monthly rent of Ringgit Malaysia 5,250 and monthly facility charge of Ringgit Malaysia 3,500. The tenancy agreement was for a term of 3 years commencing from September 1, 1999 to August 31, 2002. The total amount of rent plus facility charge paid to Classic Lane in respect of this agreement in 2002 was Ringgit Malaysia 70,000.

- (d) On April 24, 2002, a loan agreement was entered into between Wo Kee Hong Finance Limited ("WKH Finance") and Mr. Herbert ADAMCZYK, a Director and a substantial shareholder of Technorient Limited. Pursuant to the loan agreement, WKH Finance agreed to advance the sum of HK\$2,082,468 to Mr. Herbert ADAMCZYK at the Best Lending Rate. The loan and interests are repayable within 90 days from the issuance of demand to Mr. Herbert ADAMCZYK.
- (e) During the year under review, a sales contract was entered into between Italian Motors (Sales & Service) Limited ("IMSS") as seller and Fisherman Enterprises Inc. ("Fisherman") as buyer whereby IMSS sold a used Ferrari motor car at a consideration of HK\$950,000. IMSS, a subsidiary of the Company, is engaged in trading of cars and related accessories. The entire share capital of Fisherman is owned by Mr. Jeff Man Bun LEE, a Director of the Company.
- (f) On November 7, 2002, the Company, as borrower, entered into a loan agreement with Mr. Wing Sum LEE, whereby Mr. Wing Sum LEE agreed to make available to the Company a term loan facility of up to HK\$15,000,000 ("Loan") for its general working capital. The Loan is unsecured, bears interest at 10% per annum and is repayable in three tranches on or before July 31, 2003, August 31, 2003 and September 30, 2003 respectively. Full amount of the Loan was drawn down by the Company before January 15, 2003.

Apart from the foregoing, there were no other contracts of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a Director had, whether directly or indirectly, a material interest subsisting at the end of the year or at any time during the year ended December 31, 2002.

Directors' Interests in Competing Business

None of the Directors of the Company (other than Independent Non-executive Directors) is interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business.

Rights Issue and Bonus Issues

(a) Capital Reorganisation approved on March 15, 2002

Pursuant to resolutions passed on the special general meeting ("SGM") held on March 15, 2002, a capital reorganisation ("Reorganisation I"), which involves capital reduction, share subdivision and share consolidation and the rights issue with bonus issue on the basis of three bonus shares for every rights share taken up payable in full on acceptance, was approved.

On April 11, 2002, pursuant to the rights issue with the bonus issue, the Company issued 140,887,117 and 422,661,351 new shares of HK\$0.01 each respectively.

(b) Capital Reorganisation approved on September 18, 2002

Pursuant to resolutions passed on the SGM held on September 18, 2002, another capital reorganisation ("Reorganisation II"), which involves the reduction of the share premium account, the cancellation of the accumulated losses, the share consolidation and the bonus issue to shareholders on the basis of ten bonus shares for every one consolidated share, was approved.

On September 24, 2002, the Company issued 704,435,580 new shares of HK\$0.10 each pursuant to the bonus issue.

Use of Proceeds of the Rights Issue

During the year under review, the Company issued Rights Shares at HK\$0.35 each in the proportion of one Rights Shares for every share held on March 15, 2002 with three Bonus Shares for every fully-paid Rights Shares ("Rights Issue").

Net proceeds of the Rights Issue, net of expenses, were approximately HK\$46.8 million. The Directors applied such proceeds in line with the proposed application as set out in the prospectus dated March 15, 2002 in respect of the Rights Issue:

- approximately HK\$15 million was used to repay the amounts due to a subsidiary of the Company;
- approximately HK\$20 million was used to repay the bank loans;

- approximately HK\$10 million was expended to develop the Group's franchise and distribution businesses, specifically in the motor car business and air-conditioning marketing franchises; and
- the remaining approximately HK\$1.8 million was used as additional working capital of the Group.

Convertible Securities, Options, Warrants or Similar Rights

Other than the share option scheme of the Company set out in Note 41 to the financial statements, the Company had no outstanding convertible securities, options, warrants or similar rights at December 31, 2002. Other than the issue and exercise of share options pursuant to the share option schemes of the Company as explained in the "Share Option Information" section, there was no issue or exercise of any convertible securities, options, warrants or similar rights of the Company during the year.

Substantial Shareholders

At December 31, 2002, there were no parties (except Mr. Wing Sum LEE whose interests are disclosed above), as recorded in the register maintained by the Company pursuant to the Securities (Disclosure of Interests) Ordinance, holding 10% or more of the interests in the share capital of the Company.

Compliance with Code of Best Practice

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended December 31, 2002 except that Non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with Bye-Law No.99 of the New Bye-Laws of the Company.

The Company set up an Audit Committee comprising Mr. Raymond Cho Min LEE (Chairman) and Mr. Boon Seng TAN, Independent Non-executive Directors of the Company. In establishing the terms of reference for this Committee, the Directors have had regard to the "Guide for Effective Audit Committees" issued by the Hong Kong Society of Accountants in February 2002.

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Purchase, Sale or Redemption of Securities

The Company and its subsidiaries have not repurchased, sold or redeemed any of the Company's securities during the year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda although there are no restrictions against such rights under the laws in Bermuda.

Auditors

The financial statements for the year were audited by Messrs. Deloitte Touche Tohmatsu who will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors

Richard Man Fai LEE

Executive Chairman & CEO

Hong Kong, March 27, 2003